

THE WASTEBASKET



ITEM: Protecting Student Aid from Abuse

BACKGROUND:

Federal Pell grants provide undergraduate students from low-income families with up to \$4,000 this year to help pay for college and other post-secondary education. The Education Department (ED) collects income, asset and household information from student aid applications each year to determine their eligibility for receiving Pell grants.

SITUATION:

Unfortunately, ED has estimated over \$350 million in Pell grant aid was erroneously awarded because some applicants misreported their income levels.

ACTION:

The Bush Administration is committed to maintaining a strong Pell Grant program that ensures only those students truly in need receive assistance for college. On August 9th, the Administration proposed to change the law to allow the Internal Revenue Service (IRS) to match the income reported on Federal student aid applications with income tax return data.

Federal, state and local child enforcement agencies, Social Security Administration's (SSA) Supplemental Security program, the HHS Temporary Assistance for Needy Families program, the USDA Food Stamp Act benefit program and several HUD housing assistance programs are examples of other programs that have the authority to match IRS data. This practice has proven to be effective in ensuring proper expenditure of government assistance.

POTENTIAL SAVINGS:

If enacted, the proposed match between ED and IRS has the potential to eliminate approximately \$290 million in overpayments for Pell Grants in Fiscal Year 2003 and \$340 million in Fiscal Year 2004. These savings would provide additional aid for deserving recipients of the Pell grant program.

FACT: This year over 4 million students were eligible to receive Pell grants.

MORE INFORMATION: See OIG Semi-Annual Report at <http://ed.gov/offices/OIG/semiann/sar43.pdf>.

* according to ED Inspector General (IG) Reports and a test match between ED and IRS data.